

10/3/09

**COMMISSIONERS**  
 KRISTIN K. MAYES, Chairman  
 GARY PIERCE  
 PAUL NEWMAN  
 SANDRA D. KENNEDY  
 BOB STUMP

ERNEST G. JOHNSON  
 EXECUTIVE DIRECTOR



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## ARIZONA CORPORATION COMMISSION

ORIGINAL

## MEMORANDUM

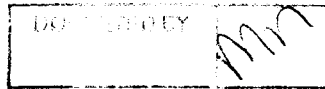
**TO:** Kristin K. Mayes, Chairman  
 Gary Pierce  
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Arizona Corporation Commission

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SEP 25 2009

**FROM:** Mark Dinell *MD*  
 Assistant Director of Securities

AZ CORP COMMISSION  
DOCKET CONTROL

2009 SEP 25 A 10:52

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**DATE:** September 18, 2009

**RE:** Jolleen K. Hansen, *et al.* (Docket No. S-20693A-09-0378); Order to Cease and Desist, for Restitution, and for Administrative Penalties

**CC:** Ernest G. Johnson, Executive Director

Attached is a proposed default Order to Cease and Desist, for Restitution, and for Administrative Penalties (the "Order"). On July 31, 2009, the Securities Division (the "Division") filed a Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, for Restitution, for Administrative Penalties, and for Other Affirmative Action (the "Notice") against Jolleen K. Hansen, Nathan E. Hansen, Thomas S. Blackwell, Kimberly Blackwell, Deluxe Designs International, and Deluxe Live Productions (collectively "Respondents"). The Division served the Notice upon Respondents and none of them has filed a request for hearing or an answer as required by law.

From February to July 2008, Mrs. Hansen, Mr. Blackwell, and the Deluxe entities offered and sold investment contracts to 20 investors. Representations were made to the investors that their money would be used to fund the production and promotion of concerts. In fact, all of the investors' money was sent to non-respondent entities believed to be the producers of the concerts.

The Order finds that Mrs. Hansen, Mr. Blackwell, and the Deluxe entities violated A.R.S. §§ 44-1841, 44-1842, and 44-1991 by offering and selling unregistered securities while being unregistered and by violating the anti-fraud provisions of the Securities Act. The Order requires Mrs. Hansen, Mr. Blackwell, and the Deluxe entities to cease and desist their activity, pay \$3,150,744 in restitution, and pay an administrative penalty in the amount of \$75,000.

The Division believes that the Order is appropriate to protect the public welfare.

Originator: Aaron S. Ludwig

1                                    **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                                    COMMISSIONERS

3                                    KRISTIN K. MAYES, Chairman  
4                                    GARY PIERCE  
5                                    PAUL NEWMAN  
6                                    SANDRA D. KENNEDY  
7                                    BOB STUMP

8                                    In the matter of

9                                    JOLLEEN K. HANSEN and NATHAN E.  
10                                    HANSEN, wife and husband;

11                                    THOMAS S. BLACKWELL (CRD #  
12                                    4370822) and KIMBERLY BLACKWELL,  
13                                    husband and wife;

14                                    DELUXE DESIGNS INTERNATIONAL,  
15                                    LLC, an Arizona limited liability company;

16                                    DELUXE LIVE PRODUCTIONS, an  
17                                    Arizona general partnership;

18                                    Respondents.

DOCKET NO. S-20693A-09-0378

DECISION NO. \_\_\_\_\_

**ORDER TO CEASE AND DESIST, FOR  
RESTITUTION, AND FOR  
ADMINISTRATIVE PENALTIES**

19                                    On July 31, 2009, the Securities Division ("Division") of the Arizona Corporation  
20                                    Commission ("Commission") filed a Notice of Opportunity for Hearing Regarding Proposed Order  
21                                    to Cease and Desist, for Restitution, for Administrative Penalties, and for Other Affirmative  
22                                    Action ("Notice") against JOLLEEN K. HANSEN; NATHAN E. HANSEN; THOMAS S.  
23                                    BLACKWELL; KIMBERLY BLACKWELL; DELUXE DESIGNS INTERNATIONAL, LLC;  
24                                    and, DELUXE LIVE PRODUCTIONS.

25                                    On August 5, 2009, the Division personally served the Notice upon JOLLEEN K.  
26                                    HANSEN; NATHAN E. HANSEN; DELUXE DESIGNS INTERNATIONAL, LLC; and,  
27                                    DELUXE LIVE PRODUCTIONS. On August 7, 2009, the Division served the Notice upon  
28                                    THOMAS S. BLACKWELL and KIMBERLY BLACKWELL by delivering a copy to their

1 attorney Kevin Jensen. None of the respondents has filed a request for hearing or an answer to the  
2 Notice as required by law.

3 **I.**

4 **FINDINGS OF FACT**

5 1. JOLLEEN K. HANSEN ("HANSEN") is an individual who, at all relevant times,  
6 resided in Maricopa County, Arizona. HANSEN is a member of DELUXE DESIGNS  
7 INTERNATIONAL, LLC and a partner of DELUXE LIVE PRODUCTIONS.

8 2. THOMAS S. BLACKWELL ("BLACKWELL") is an individual who, at all relevant  
9 times, resided in Maricopa County, Arizona. BLACKWELL is a partner of DELUXE LIVE  
10 PRODUCTIONS.

11 3. DELUXE DESIGNS INTERNATIONAL, LLC is an Arizona limited liability  
12 company.

13 4. DELUXE LIVE PRODUCTIONS is an Arizona general partnership and division of  
14 DELUXE DESIGNS INTERNATIONAL, LLC.

15 5. DELUXE DESIGNS INTERNATIONAL, LLC and DELUXE LIVE  
16 PRODUCTIONS shall be referred to collectively as "DELUXE."

17 6. HANSEN, BLACKWELL, and DELUXE may be referred to collectively as  
18 "Respondents."

19 7. NATHAN E. HANSEN was, at all relevant times, the spouse of HANSEN and  
20 KIMBERLY BLACKWELL was, at all relevant times, the spouse of BLACKWELL. NATHAN  
21 E. HANSEN and KIMBERLY BLACKWELL may be referred to collectively as "Respondent  
22 Spouses." Respondent Spouses are joined in this action under A.R.S. § 44-2031(C) solely for  
23 purposes of determining the liability of the respective marital communities.

24 8. At all relevant times, HANSEN and BLACKWELL acted for their own benefit and  
25 for the benefit or in furtherance of their and their respective Respondent Spouses' marital  
26 communities.

1           9.     At all relevant times, Respondents were not registered as securities dealers or  
2 salesmen.

3           10.    From on or about February 2008 to July 2008 in Maricopa County, Arizona,  
4 Respondents offered and sold to 20 investors \$2,760,000 of investment contracts issued by  
5 DELUXE with the title "Joint Venture Agreement."

6           11.    At all relevant times, the investment contracts referred to above were not registered  
7 pursuant to Articles 6 or 7 of the Securities Act.

8           12.    Respondents represented to the investors that DELUXE provides funding for the  
9 production and promotion of concerts nationwide for such stars as Keith Urban, Carrie Underwood,  
10 the Foo Fighters, 50 Cent, Radiohead, and the Dave Matthews Band.

11          13.    With each investor, DELUXE entered into a Joint Venture Agreement that identifies a  
12 concert for which DELUXE was to provide the funding; states the total amount of money required to  
13 produce the concert ("Event Cost"); and, specifies the amount of money invested by the investor.

14          14.    Respondents represented to the investors that the investors' money would be pooled  
15 together in "a common fund" and sent by DELUXE to the concert production companies Phoenician  
16 Entertainment, CAA, and BYB Entertainment (collectively, "the Producers").

17          15.    Respondents represented to the investors that enough money would be raised from  
18 concert ticket sales to repay the investors' principal and generate a return between 25 and 30 percent.  
19 Respondents represented to the investors that the investors would receive their principal and return 30  
20 days after a concert date.

21          16.    Respondents represented to the investors that Respondents and the investors would  
22 share in the profit from the ticket sales after the investors' principal investments had been repaid. The  
23 Joint Venture Agreements state that, "The cash receipts from the [concert] remaining after payment of  
24 the [Event Cost]...shall be referred to as the "Net Profits Receipts" and...shall be divided into thirds  
25 and distributed: 1/3 according to the percentage of the amount of the initial cash contributed by each  
26 [investor] for the [concert], 1/3 to NATO Enterprises, and 1/3 to [DELUXE]." NATO Enterprises is

1 the company of Miko Wady ("WADY"), the individual who introduced DELUXE to a "broker" who  
2 allegedly had relationships with the Producers.

3 17. Other than paying DELUXE, the investors had no duties to perform or  
4 responsibilities to fulfill in order to receive their promised profit. DELUXE had all of the "powers  
5 and duties" enumerated in the Joint Venture Agreements and the investors had none. Respondents  
6 represented to the investors that Respondents, not the investors, would manage the relationship with  
7 the broker and Producers, send the investors' money to the Producers, receive from the Producers the  
8 money raised from ticket sales, repay the investors' principal, and account for/divide/pay out the  
9 profit based on "audit sheets" that purport to show the number of tickets sold and amount of money  
10 raised from a concert.

11 18. Respondents had no relationship, contractual or otherwise, with the Producers.  
12 DELUXE and HANSEN dealt solely with the broker who HANSEN has spoken to but Respondents  
13 have never met. The broker gave Respondents information to make wire transfers to the Producers  
14 but nothing that the Respondents had in writing from the broker requires the Producers to send to  
15 Respondents the money raised from ticket sales within 30 days after a concert date.

16 19. DELUXE caused all of the investors' money to be sent to the Producers, including  
17 CAA and on one occasion via WADY'S company NATO Enterprises. HANSEN believed CAA to  
18 be Creative Artists Agency, the international talent agency with offices in Los Angeles, New York,  
19 Nashville, Beijing, and London. The holders of/signers on the Phoenix-based CAA bank account into  
20 which nearly all of the investors' money was deposited are the sister and father-in-law of WADY.

21 20. All of the concert dates (from February to July 2008) came to pass and, although  
22 Respondents received audit sheets from the broker, Respondents received no money from the  
23 Producers other than a \$20,000 wire transfer from CAA to DELUXE on March 11, 2008 ("the Wire  
24 Transfer"). In fact, Respondents do not know if the Producers even produced any of the concerts.

25 21. Even though the early concert dates came and went without Respondents receiving  
26 money from the Producers, Respondents continued offering and selling the investment contracts and

1 did not investigate the Producers, including the identity of CAA. As the recipient of the statements  
2 of the DELUXE bank account, HANSEN received information about the Wire Transfer revealing  
3 that the address of CAA is a condominium in Phoenix, Arizona and, as such, that CAA is most  
4 likely not Creative Artists Agency. However, even though HANSEN had this information in her  
5 possession and reason enough to examine it upon its receipt, she failed to do so.

6 22. Respondents have provided the investors with only \$28,229 of their principal  
7 investment and none of the promised profit.

## 8 II.

### 9 CONCLUSIONS OF LAW

10 1. The Commission has jurisdiction over this matter pursuant to Article XV of the  
11 Arizona Constitution and the Securities Act.

12 2. Neither Respondents nor Respondent Spouses requested a hearing pursuant to A.R.S.  
13 § 44-1972 and A.A.C. R14-4-307.

14 3. Neither Respondents nor Respondent Spouses filed an answer pursuant to A.A.C.  
15 R14-4-307.

16 4. Respondents offered or sold securities within or from Arizona, within the meaning  
17 of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

18 5. Respondents violated A.R.S. § 44-1841 by offering or selling securities that were  
19 neither registered nor exempt from registration.

20 6. Respondents violated A.R.S. § 44-1842 by offering or selling securities while  
21 neither registered as dealers or salesmen nor exempt from registration.

22 7. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or  
23 artifice to defraud; (b) making untrue statements of material facts or omitting to state material facts  
24 necessary in order to make the statements made, in the light of the circumstances under which they  
25 were made, not misleading; and, (c) engaging in transactions, practices, or courses of business that  
26

1 operate or would operate as a fraud or deceit. Respondents' conduct includes, but is not limited to,  
2 the following:

3 a) failing to disclose to the investors that Respondents had no relationship,  
4 contractual or otherwise, with the Producers and that Respondents would be dealing only with a  
5 broker who they have never met;

6 b) misrepresenting that the investors would receive their principal repayment  
7 and profit 30 days after a concert date;

8 c) failing to disclose to the investors that Respondents would have no  
9 personal knowledge whether the Producers in fact produced a concert and that, as a result,  
10 Respondents would be unable to verify, among other things, the information contained in the  
11 audit sheets received from the broker; and,

12 d) failing to disclose to the investors that Respondents would continue  
13 offering and selling the investment contracts and not investigate the Producers, including the  
14 identity of CAA, even if concert dates came and went without Respondents receiving money  
15 from the Producers.

16 8. HANSEN directly or indirectly controlled DELUXE DESIGNS INTERNATIONAL,  
17 LLC as its member and HANSEN directly or indirectly controlled DELUXE LIVE  
18 PRODUCTIONS as its partner. Therefore, HANSEN is jointly and severally liable under A.R.S. §  
19 44-1999 to the same extent as DELUXE for its violations of A.R.S. § 44-1991.

20 9. BLACKWELL directly or indirectly controlled DELUXE LIVE PRODUCTIONS as  
21 its partner. Therefore, BLACKWELL is jointly and severally liable under A.R.S. § 44-1999 to the  
22 same extent as DELUXE LIVE PRODUCTIONS for its violations of A.R.S. § 44-1991.

23 10. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S.  
24 § 44-2032.

25 11. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-  
26 2032.

12. Respondents' conduct is grounds for administrative penalties under A.R.S. § 44-2036.

13. HANSEN and BLACKWELL acted for the benefit of their respective marital communities and, pursuant to A.R.S. §§ 25-214 and 25-215, this Order of restitution and administrative penalties is a debt of the communities.

### III.

#### ORDER

THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act .

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, individually, and the marital communities of HANSEN, BLACKWELL, and Respondent Spouses, jointly and severally, shall pay restitution to the Commission in the amount of \$3,150,744. Payment shall be made in full on the date of this Order. Any amount outstanding shall accrue interest at the rate of 10 percent per annum from the date of this Order until paid in full. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

The Commission shall disburse the funds on a pro-rata basis to investors shown on the records of the Commission. Any restitution funds that the Commission cannot disburse because an investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor because the investor is deceased and the Commission cannot reasonably identify and locate the deceased investor's spouse or natural children surviving at the time of the distribution, shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the



1 Commission. Any funds that the Commission determines it is unable to or cannot feasibly  
2 disburse shall be transferred to the general fund of the state of Arizona.

3 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondents,  
4 individually, and the marital communities of HANSEN, BLACKWELL, and Respondent Spouses,  
5 jointly and severally shall pay an administrative penalty in the amount of \$75,000. Payment shall  
6 be made to the "State of Arizona." Any amount outstanding shall accrue interest at the rate of 10  
7 percent per annum from the date of this Order until paid in full. The payment obligations for these  
8 administrative penalties shall be subordinate to any restitution obligations ordered herein and shall  
9 become immediately due and payable only after restitution payments have been paid in full or  
10 upon default by Respondents or Respondent Spouses with respect to the restitution obligations of  
11 Respondents and Respondent Spouses.

12 For purposes of this Order, a bankruptcy filing by any of the Respondents or Respondent  
13 Spouses shall be an act of default. If any Respondent or Respondent Spouse does not comply with  
14 this Order, any outstanding balance may be deemed in default and shall be immediately due and  
15 payable.

16 ...

17 ...

18 ...

IT IS FURTHER ORDERED that, if any Respondent or Respondent Spouse fails to comply with this order, the Commission may bring further legal proceedings against that Respondent or Respondent Spouse, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT

DISSENT

This document is available in alternative formats by contacting Shaylin A. Bernal, ADA Coordinator, voice phone number 602-542-3931, e-mail [sabernal@azcc.gov](mailto:sabernal@azcc.gov).

(ASL)

1 SERVICE LIST FOR: In the Matter of Jolleen K. Hansen, et al.

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